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Managing the small farmers' coop. 1940

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Managing the Small Farmers' Co-op

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U. S. Department of Agriculture

U. S. Farm Security Administration
U. S. Department of Agriculture
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5 C78 THIS IS THE second of a series of leaflets about cooperatives started with help from the Farm Security Administration. The first, called "Co-ops for the Small Farmer," explains some of the advantages of cooperatives, how they are organized, and how they are financed.

This leaflet explains some of the rules for managing a small cooperative successfully.

Managing the Small Farmers' Co-op

FOR MORE THAN a hundred years American farmers have been working together through cooperatives. Some of their co-ops have been large associations with hundreds of members; others have been small groups of a half-dozen or more farmers in a neighborhood. A great many farmers' co-ops have been successful; but some of them have failed.

Out of this experience there has grown a set of simple, common sense rules for managing a farmers' cooperative. If a co-op follows these rules it generally will succeed—if it does not, it is almost sure to fail.

All of these rules are based on two fundamental facts:

1. A co-op is a business proposition and it must be run in a businesslike way.

2. *All* members of a co-op must work together for the good of the whole group. A co-op is built on goodwill and every member must be willing to do his share.

From these facts there have been developed the rules discussed in the following pages. This leaflet deals mainly with these rules as they apply to the small co-op which farmers have set up with the help of the Farm Security Administration. Not all of these co-ops have as yet succeeded in putting all the rules into effect. But their use is becoming more widespread as thousands of small farmers get experience at running their business in the co-op way.

1. Co-ops Are Democratic

A CO-OP is owned by its members and run by them. Each member has a stake in the co-op and an equal voice in its affairs. The members set their own plans of operation, and settle their problems by free discussion.

When there is an important question to decide the members

talk it over and make the decision. There is no dictator telling them what to do. Co-ops follow the American way of doing things—they belong to the people.

When co-ops fail to stick to this principle they get into a lot of trouble. For example, there is the case of a hay-and-feed chopper co-op which six small farmers started with the help of an FSA loan. It looked like a fine set-up. By chopping bad-tasting wild hay and mixing it with sweet-tasting chopped alfalfa, the farmers found they could save money by using more of the wild hay in feeding their stock.

However, it soon turned out that all of the members were not satisfied. One or two thought a different kind of machine should have been bought. Several felt that the caretaker was not doing a good job. Still another thought he was not getting to use the equipment as much as he should. As a result, the group did not work well together, and the affairs of the co-op kept getting worse and worse.

The six farmers finally got together to talk over their differences. They invited the FSA supervisor to explain why the present hay chopper, which was run by a stationary engine, was better for their needs than a tractor-driven machine. All the problems of the co-op were carefully discussed.

As a result of the meeting, a new manager was elected and new plans were made for the use of the machinery. Two members remained dissatisfied, however; they said they were really not interested in cooperating. When they dropped out the other members voted in two new farmers right away. The co-op went along successfully after that because the farmers had met their problems democratically and in time.

2. Farmers Know Their Co-op

THE FIRST STEP in setting up a co-op is to make sure that all of the members understand the need that they have in common and how the co-op will help them meet it. Each member should know what is expected of him, and what he may expect to get out of the co-op.

Understanding is also very important in *managing* the co-op. Every member should clearly understand what his co-op is doing, and how it is being run. He should know how much money he has to pay in the co-op treasury every year, and when the money is due.

A co-op member also should know exactly what is being done with the money—what payments are due to the FSA or

some other lending agency, if the co-op borrowed capital to get started; and how much the manager will be paid. Each member will want to know who is going to repair equipment if it is damaged, or stand the cost of sickness among the co-op livestock.

Farmers in co-ops have found that it is good business to decide all these things, and put them down in writing, when the co-op is first started. Then there is far less chance for future misunderstandings.

An agreement in writing makes it much easier for the busy farmer to keep track of his co-op's work. Take, for example, a typical threshing machine co-op which six or eight farmers might set up together. Suppose they decide that each farmer will pay for the threshing done on his farm by turning over 12 bushels of wheat to the co-op for every 100 bushels threshed. Who will store the "toll wheat"? Who will sell it and handle the money for the co-op? When will it be sold? How much should outsiders be charged for custom work? All of these things should be decided and written down in advance, so that there will be no cause for arguments later on.

Consequently, every co-op should draw up an agreement, or a set of rules in writing. Then every member knows how his co-op is supposed to be run, and what part he is expected to play in running it.

3. Co-ops Choose Good Managers

IT IS ABSOLUTELY essential to select a good manager, or caretaker, to look after the co-op property and to keep a record of its use. The manager has to see that the property is protected and fed, if it is an animal, or oiled and repaired, if it is a piece of machinery. He has to keep books and collect money and pay bills. A poor manager can ruin a co-op very quickly.

Since the co-op is run by its members, they, of course, can watch the work of the manager and help him with his duties. They also can elect a new one if the first one does not do a good job. Often, however, the farmers' property may be damaged before a change can be made, so it is important to choose a good man at the start.

Choosing the manager is not always easy. Often some of the co-op members would like to give the job to the man who is most in need of the little extra cash he could make as manager; yet this farmer may not be the one best suited for the job.

Also, one farmer may be a good hand at fixing things and well able to look after the property but he may be poor at figures and not capable of keeping good records. Farmers know their neighbors well, however, and can usually make a good choice in the beginning—if they pick their man strictly on a business basis.

In a purebred Holstein bull co-op, which was set up with the help of FSA, the caretaker turned out to be a poor manager. He was not looking after the bull properly and, as a result, the bull was unhealthy and in no condition for good breeding. Moreover, the manager kept poor records and had no idea how much each member owed, or how much was owed to the co-op by outside farmers who had hired the bull's services. The manager had collected some money but he had no record of it. Naturally the other members were not satisfied with the way things were being run.

The president of the co-op called a meeting to talk over the matter. After a long discussion, the five farmers decided to change managers. They also decided to build a pen for the bull on the new manager's place. It was not long before the improved management of the co-op began to show results. The bull was healthier and produced better calves. By insisting that their co-op must be well run, these farmers protected their investment and turned a doubtful venture into a paying proposition.

4. Co-ops Use the Best Technical Advice Available

CO-OPS FIND THAT it is good business to use the information and advice put out by the State Agricultural Colleges and the United States Department of Agriculture. The County Extension Agent, for example, usually can give co-op members invaluable advice on many questions. He can help them make sure that the purebred sire or the piece of machinery they plan to buy is of good quality and suited to their needs. If necessary, he probably could arrange for an expert from the State Agricultural College to come in for consultation.

A co-op financed with an FSA loan can get the same kind of help from the Farm Security supervisor. His advice on purchases often can save the co-op a good deal of money, since it is his business to know where and how to make the best buys. Moreover, the supervisor is always ready to give information on the best way to use or care for the equipment.

For instance, one small FSA co-op in a western State con-

sists of a group of 10 farmers who bought a big Percheron stallion for breeding purposes. The caretaker figured that one good way to exercise the big horse was to use him in the field on a plow. It was during breeding season, and some of the other farmers did not approve of the caretaker's working the horse at that time. However, other members thought that the work would help rather than hurt the horse. It was an important question because if the horse was being harmed, the co-op members might lose out in the proper breeding of their mares.

There was one good way to decide the question. The co-op president called a meeting, invited the FSA supervisor, and the farmers asked his advice. The supervisor told them that it would not hurt the stallion to be worked a little during breeding season, but made it clear that much hard work would be harmful. The farmers then came to an understanding with the caretaker as to just how much the stallion would be worked. They all left satisfied, knowing that their common property would be given the best possible use.

NEW WAYS OF WORKING TOGETHER

WHEN FARMERS GET together to talk about cooperating on one thing, they often discover other ways of working together, too. There are so many ways that farm people can profitably work through co-ops that any meeting of farmers may bring out some new idea for helping each other.

A group of farmers in a small harvester co-op found at a meeting that one member had lost a lot of his crimson clover seed because the combine had not been set low enough. The machine operator pointed out that he could not set the cutter blade as low as he would like because there were so many small rocks in the field. After some discussion, it was decided that no one in particular was to blame for the loss of the seed, but that next year the ground should be rolled before seeding. The co-op member who lost his seed agreed that this should be done but said he could not afford to buy a roller alone. Several other members, however, pointed out that they too needed a heavy roller on their farms. Before the meeting was over the farmers had worked out plans for buying not only a roller, but also a seed drill, seed treating and cleaning equipment, a mowing machine, a hay rake, and certified seed—through their co-op.

After a small co-op is set up to do a specific job in a community, the members often find that the meetings offer a good chance for talking about other problems besides their co-ops. It is usually hard for farmers to get together to talk about such things as community affairs, soil conservation, and general farm questions, but these things are important. Many farmers have found that they like to stay on after their co-op meetings and thresh out a lot of problems. Such discussions are very important in a democracy, where a free people have to decide how their country is going to be run.

Small co-ops give farmers a chance not only to work out some of their smaller problems, but also to think and talk about some of the bigger problems which face the Nation. Co-ops are good training ground for citizenship.

Co-ops Work With Each Other

OFTEN THE MEMBERS of small FSA co-ops have been able to get even better results by joining their little groups together into a bigger co-op. For example, it is a common practice for a number of co-ops owning purebred sires to swap their animals around every 2 or 3 years to keep the blood lines of their stock clear. This prevents inbreeding of their animals and results in a better grade of livestock.

By forming bigger associations, small co-ops also can save money and improve the services which they give their members. In one midwestern county, 20 small co-ops recently got together to buy new manure spreaders. They asked the local dealers to submit bids on all 20 machines at one time. The dealers were, of course, willing to make a substantial discount for such a large order—and, as a result, the co-ops saved 24 percent on the regular purchase price.

Many farmers are members of two or three, sometimes five or six co-ops. In this way they can get the use of machinery and services which ordinarily only big farmers with lots of capital can afford.

If you want to find out more about cooperatives, or would like help in setting up a small co-op in your neighborhood, call on your county agricultural agent or the Farm Security Administration supervisor for your county.

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